

NORTH POLK COMMUNITY SCHOOL DISTRICT
ALLEMAN, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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NORTH POLK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Keith Muehlenthaler	President	2011
Tim Kreihbel	Vice President	2011
Brett Bruggeman	Board Member	2013
Diane Lackore	Board Member	2013
Gary Reinhart	Board Member	2013
<u>School Officials</u>		
Dan Mart	Superintendent	2011
Deborah Schroeder	District Secretary/Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
North Polk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Polk Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Polk Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2012 on our consideration of North Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Polk Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
January 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$10,160,032 in fiscal 2010 to \$11,677,840 in fiscal 2011; General Fund expenditures also increased from \$10,467,222 in fiscal 2010 to \$11,039,065 in fiscal 2011. The District's General Fund balance increased from \$1,269,577 in fiscal 2010 to \$1,908,352 in fiscal 2011, a 50.31% increase.
- The increase in General Fund revenues was attributable to increases in property tax and state grant revenues in fiscal 2011. Approximately \$546,000 of the increase in property tax revenue is attributable to an increase in the cash reserve levy with the remainder attributable to an increase in budget enrollment. The increase in state grant revenue is attributable to an increase in budget enrollment, an increase in additional property tax levy aid, initial funding of the Statewide Voluntary Preschool Program, and a decrease in state aid reduction. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving seventy eight additional students.
- The increase in the General Fund balance is due primarily to additional property taxes levied for cash reserve and increases in unspent balances for restricted categorical aid.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Polk Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Polk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Polk Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1
North Polk Community School District Annual Financial Report

The diagram illustrates the structure of the North Polk Community School District Annual Financial Report. It is organized into two main levels. The top level consists of three boxes: **Management's Discussion and Analysis**, **Basic Financial Statements**, and **Required Supplementary Information**. These three boxes are connected by a horizontal line at the top, with a vertical line extending upwards from the center. Below this, a large shaded rectangular area contains three boxes: **Government-wide Financial Statements**, **Fund Financial Statements**, and **Notes to the Financial Statements**. Dotted lines connect the top level boxes to the shaded area: a line from **Management's Discussion and Analysis** to the left side, a line from **Basic Financial Statements** to the top center, and a line from **Required Supplementary Information** to the right side. At the bottom of the shaded area, a horizontal double-headed arrow spans the width, with the word **Summary** on the left and **Detail** on the right.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and vending	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and employee flex benefit programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property and sales taxes and state foundation aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the sales and service taxes.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Vending Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Employee Flex Benefit Fund – The District accounts for pre-tax contributions by employees and employer contributions for medical and dependent care benefits in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
	\$	\$	\$	\$	\$	\$	%
Current and other assets	13,865,473	11,286,722	48,860	30,509	13,914,333	11,317,231	22.9
Capital assets	9,833,530	9,949,699	53,472	54,776	9,887,002	10,004,475	-1.2
Total assets	23,699,003	21,236,421	102,332	85,285	23,801,335	21,321,706	11.6
Long-term liabilities	1,970,650	2,415,621	1,233	601	1,971,883	2,416,222	-18.4
Other liabilities	7,177,165	6,020,758	17,959	18,913	7,195,124	6,039,671	19.1
Total liabilities	9,147,815	8,436,379	19,192	19,514	9,167,007	8,455,893	8.4
Net Assets:							
Invested in capital assets, net of related debt	8,393,530	7,944,288	53,472	54,776	8,447,002	7,999,064	5.6
Restricted	4,646,690	3,387,660	0	0	4,646,690	3,387,660	37.2
Unrestricted	1,510,968	1,468,094	29,668	10,995	1,540,636	1,479,089	4.2
TOTAL NET ASSETS	14,551,188	12,800,042	83,140	65,771	14,634,328	12,865,813	13.7

The District's combined total net assets increased by \$1,768,515, or 13.7%, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure,

buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,259,030 or 37.2% over the prior year. The increase was primarily a result of sales tax revenues that were collected but not spent in fiscal year 2011.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$61,547, or 4.20%. The increase was primarily the result of a decrease in the state aid reduction.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Program Revenues:							
Charges for services	887,475	840,343	407,204	376,313	1,294,679	1,216,656	6.4
Operating grants & contributions	1,762,795	2,169,041	114,805	105,096	1,877,600	2,274,137	-17.4
Capital grants & contributions	6,775	26,425	0	0	6,775	26,425	-74.4
General Revenues:							
Property taxes	4,655,143	4,187,792	0	0	4,655,143	4,187,792	11.2
Income Surtax	349,590	389,801	0	0	349,590	389,801	-10.3
Statewide sales tax	1,126,752	953,889	0	0	1,126,752	953,889	18.1
Unrestricted state grants	5,212,762	3,997,629	0	0	5,212,762	3,997,629	30.4
Unrestricted investment earnings	118,577	88,086	1,030	1,489	119,607	89,575	33.5
Other revenue	40,666	24,445	0	0	40,666	24,445	66.4
Total Revenues	14,160,535	12,677,451	523,039	482,898	14,683,574	13,160,349	11.6
Expenses:							
Instruction	7,561,606	7,325,239	0	0	7,561,606	7,325,239	3.2
Support services	3,955,066	3,591,193	34,321	0	3,989,387	3,591,193	11.1
Non-instructional programs	15,552	8,351	471,349	471,255	486,901	479,606	1.5
Other expenditures	877,165	890,855	0	0	877,165	890,855	-1.5
Total expenses	12,409,389	11,815,638	505,670	471,255	12,915,059	12,286,893	5.1
CHANGE IN NET ASSETS	1,751,146	861,813	17,369	11,643	1,768,515	873,456	102.5
Net assets beginning of year	12,800,042	11,962,962	65,771	29,395	12,865,813	11,992,357	7.3
Downward adjustment to beginning balances	0	0	0	0	0	0	0.0
Interfund Transfers	0	(24,733)	0	24,733	0	0	0.0
Net assets end of year	14,551,188	12,800,042	83,140	65,771	14,634,328	12,865,813	13.7

Property tax and unrestricted state grants account for 67.2% of the general revenue. The District's expenses primarily relate to instruction and support services, which account for 89.4% of the total expenses.

As shown in figure A-4 the District, as a whole, experienced an 11.6% increase in revenues and a 5.1% increase in expenses. An increase of \$600,003 in tax revenues and \$818,596 in operating grants, contributions, and unrestricted state grants were used to fund increases in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

Governmental Activities

Revenues from governmental activities were \$14,160,535 and net expenses were \$12,409,389. Total revenues exceeded expenditures in the governmental activities by \$1,751,146.

The following table presents the total and net cost of the District's major government activities: instruction, support services, non-instructional programs, and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	7,561,606	7,325,239	3.2	5,519,745	4,779,091	15.5
Support Services	3,955,066	3,591,193	10.1	3,819,820	3,574,441	6.9
Non-instructional Programs	15,552	8,351	86.2	15,552	8,351	86.2
Other Expenses	877,165	890,855	-1.5	397,227	417,946	-5.0
TOTAL	12,409,389	11,815,638	5.0	9,752,344	8,779,829	11.1

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$887,475. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,769,570.
- The net cost of governmental activities was financed with \$6,131,485 in property and other local taxes, \$5,212,762 in unrestricted state grants, and \$159,243 in other unrestricted sources.

Business Type Activities

Revenues for business type activities were \$523,039 and expenses were \$505,670. The District's business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District monitors its business type activities to ensure revenues are sufficient to cover expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Polk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,358,713, 29.6% above last year's fund balance of \$4,904,850.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in taxes and grants resulted in an increase in General Fund revenues. The General Fund balance increased from \$1,269,577 to \$1,908,352 due primarily to an increase in property taxes levied for cash reserve and an increase in balances for restricted categorical aid.
- The Capital Projects Fund balance increased from \$3,001,001 in fiscal year 2010 to \$4,025,196 in fiscal year 2011. The increase is a result of excess property and statewide sales and services taxes collection during the year. The fund balance is reserved for future construction, capital asset acquisitions, and building and grounds repairs and improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$65,175 in fiscal year 2010 to \$80,962 in fiscal year 2011, representing an increase of approximately 24%. This increase was primarily due to increases in participation, meal prices, and revenues from federal and state sources.

BUDGETARY HIGHLIGHTS

The District's receipts were approximately \$305,014 more than budgeted receipts, a variance of 2.1%.

Total expenditures were 84.2% of the budgeted expenditures. It is the District's practice to budget General Fund expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A summary of the reconciling differences between the District's General Fund Unspent Authorized Budget, Fund Balance, and Cash Reserve Balance is presented in Figure A-6.

Figure A-6

	Change in Unspent Authorized Budget, General Fund Balance, and Cash Reserve Balance				
	Unspent Authorized Budget	General Fund Balance	Excess ISL (Sources (Uses))	Cash Reserve (Sources (Uses))	Unfunded Authorized Budget
Property Taxes					
Uniform Levy	1,341,542	2,724,167		29,210	
Additional Levy	1,354,091				
Utility Replacement Adjustment	(676)				
Instructional Support	150,499	151,683	1,184		
SBRC Allowable Growth:					
Enrollment Increase – FY 11	137,662			(221,379)	
Special Ed Deficit – FY 11	54,097				
Other	29,620				
Cash Reserve Levies:					
Enrollment Increase – FY 10		350,118		932,526	
Other		582,408			
Subtotal Property Taxes	3,066,835	3,808,376	1,184	740,357	0
State Aid	5,535,225	5,418,786		(532,732)	
ARRA Ed Fiscal Stabilization		116,439			
AEA Juvenile Home Support		(37,136)			
State Aid Reduction		(495,596)			
AEA Flow-through	473,163	473,163			
Categorical State Aid	696,780	696,780			
Inst Support State Aid	26,969	26,969			
Subtotal State Aid	6,732,137	6,199,405	0	(532,732)	0
2011 Instructional Support Income Surtax	338,644		15,875		
2010 Instructional Support Income Surtax received in FY 2011		354,519			
Subtotal Income Surtax	338,644	354,519	15,875	0	0
Cash Reserve Recovery				(207,625)	207,625
Total Miscellaneous Income	1,286,451	1,315,540	-		29,089
Total Expenditures	(10,998,196)	(11,039,065)	-		(40,869)
Net Increase (Decrease)	425,871	638,775	17,059	0	195,845
Beginning Balance - July 1, 2010	1,533,362	1,269,577	109,167	0	(372,952)
Ending Balance - June 30, 2011	1,959,233	1,908,352	126,226	0	(177,107)

The District's cash reserve balance increased from (\$372,952) in fiscal year 2010 to (\$177,107) in fiscal year 2011. Actual state aid received was \$532,732 less than the amount appropriated due primarily to a

statutory reduction in state aid and the payment of additional authorized funding in support of the state's juvenile home facilities. The District received \$932,526 in cash reserve property tax revenues, levied to fund previous years' requests for SBRC allowable growth, state aid shortfalls, and to provide for adequate cash flow reserves.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$10 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

The net decrease in capital asset activity during the year is primarily due to asset depreciation.

Figure A-7

	Capital Assets (net of depreciation)						
	Governmental		Business type		Total		Percent
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
	\$	\$	\$	\$	\$	\$	%
Land	411,634	411,634	0	0	411,634	411,634	0.0
Construction in progress	102,945	0	0	0	102,945	0	100.0
Buildings	8,441,269	8,627,652	0	0	8,441,269	8,627,652	-2.2
Improvements	168,873	115,634	0	0	168,873	115,634	46.0
Equipment & furniture	708,809	794,779	53,472	54,776	762,281	849,555	-10.3
TOTAL	9,833,530	9,949,699	53,472	54,776	9,887,002	10,004,475	-1.2

Long-Term Debt

At June 30, 2011 the District had \$1,971,883 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 18% from the previous year (See Figure A-8). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In April 2003 the District issued \$3,160,000 of general obligation refunding bonds with interest rates ranging between 1.20% and 3.20%. The District issued the bonds to advance refund \$3,125,000 of the outstanding 1994 general obligation bonds with interest rates of 4.25% to 5.00%. The District reduced the outstanding principal on the general obligation refunding bonds by \$360,000 during fiscal year 2011.

The District issued \$1,140,000 of capital loan notes in 2008 to finance renovations at West Elementary. These notes will be repaid with proceeds from the voted physical plant and equipment property tax levy. The District paid \$120,000 of principal on the notes during the year.

Figure A-8

Outstanding Long-Term Debt Obligations			
	Total School District		Percentage
	2010	2009	Change
	\$	\$	2009-2010
			%
General Obligation Bonds	755,000	1,115,000	-32.3
Capital Loan Notes	685,000	805,000	-14.9
Capital Leases	88,356	85,411	3.5
Early Retirement	249,818	321,749	-22.4
Compensated Absences	53,110	19,930	166.5
Net OPEB Liability	140,599	69,132	103.4
	1,971,883	2,416,222	-18.4

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment increased by seventy eight additional students between the 2010 and 2011 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- The District levied an additional \$586,282 in fiscal year 2012 to provide cash reserve funds to be used to fund the previous year's requests for SBRC allowable growth, to cover fiscal year 2011 state aid shortfalls, and to provide for future adequate cash flow reserves.
- In December, 2010 taxpayers voted to authorize the District to issue up to \$16.1 million in general obligation bond debt for the purpose of constructing a new high school building. In July 2011, the District issued \$10,000,000 in general obligation bonds; the District also issued \$10,000,000 in revenue bonds in March 2012 in connection with this project. The remaining \$6.1 million in general obligation bonds will be issued in early 2013. Construction of the building is scheduled to commence in the spring of 2012.
- The District will use resources from the Physical Plant and Equipment Levy to purchase additional technology hardware and transportation vehicles.
- The District will negotiate a new contract agreement with the North Polk Education Association during the coming fiscal year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deborah Schroeder, Board Secretary/Treasurer and Business Manager, North Polk Community School District, 313 NE 141st Avenue, Alleman, Iowa 50007.

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Basic Financial Statements

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,468,680	\$ 27,105	\$ 7,495,785
Receivables:			
Property tax:			
Current year	36,390	-	36,390
Succeeding year	5,459,998	-	5,459,998
Income surtax	338,644	-	338,644
Accounts	18,311	6,663	24,974
Due from other governments	459,289	-	459,289
Inventories	967	15,092	16,059
Prepaid expenses	83,194	-	83,194
Capital assets, net of accumulated depreciation (note 4)	9,833,530	53,472	9,887,002
Total assets	23,699,003	102,332	23,801,335
Liabilities			
Accounts payable	312,201	535	312,736
Salaries and benefits payable	1,156,935	4,276	1,161,211
Accrued interest payable	9,049	-	9,049
Deferred revenue:			
Succeeding year property tax	5,459,998	-	5,459,998
Other	238,982	13,148	252,130
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	75,109	-	75,109
Bonds payable	370,000	-	370,000
Notes payable	125,000	-	125,000
Capital leases payable	58,766	-	58,766
Compensated absences	53,110	-	53,110
Portion due after one year:			
Early retirement	174,709	-	174,709
Bonds payable	385,000	-	385,000
Notes payable	560,000	-	560,000
Capital leases payable	29,590	-	29,590
Net OPEB liability	139,366	1,233	140,599
Total liabilities	9,147,815	19,192	9,167,007

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 8,393,530	\$ 53,472	\$ 8,447,002
Restricted for:			
Categorical and local funding	466,035	-	466,035
Student activities	125,846	-	125,846
Debt service	84,546	-	84,546
Capital projects	3,970,263	-	3,970,263
Unrestricted	<u>1,510,968</u>	<u>29,668</u>	<u>1,540,636</u>
Total net assets	<u>\$ 14,551,188</u>	<u>\$ 83,140</u>	<u>\$ 14,634,328</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,140,748	\$ 376,290	\$ 827,820	\$ -
Special instruction	888,276	39,627	126,995	-
Other instruction	1,532,582	414,543	256,586	-
	<u>7,561,606</u>	<u>830,460</u>	<u>1,211,401</u>	<u>-</u>
Support services:				
Student services	425,212	46,069	57	-
Instructional staff services	598,934	-	71,279	-
Administration services	1,097,674	-	264	-
Operation and maintenance of plant services	1,180,995	10,946	6,631	-
Transportation services	652,251	-	-	-
	<u>3,955,066</u>	<u>57,015</u>	<u>78,231</u>	<u>-</u>
Non-instructional programs	<u>15,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	26,564	-	-	6,775
Long-term debt interest and fiscal charges	72,403	-	-	-
AEA flowthrough	473,163	-	473,163	-
Depreciation (unallocated) *	305,035	-	-	-
	<u>877,165</u>	<u>-</u>	<u>473,163</u>	<u>6,775</u>
Total governmental activities	<u>12,409,389</u>	<u>887,475</u>	<u>1,762,795</u>	<u>6,775</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (3,936,638)	\$ -	\$ (3,936,638)
(721,654)	-	(721,654)
(861,453)	-	(861,453)
<hr/> (5,519,745)	<hr/> -	<hr/> (5,519,745)
(379,086)	-	(379,086)
(527,655)	-	(527,655)
(1,097,410)	-	(1,097,410)
(1,163,418)	-	(1,163,418)
<hr/> (652,251)	<hr/> -	<hr/> (652,251)
<hr/> (3,819,820)	<hr/> -	<hr/> (3,819,820)
 (15,552)	 -	 (15,552)
 (19,789)	 -	 (19,789)
(72,403)	-	(72,403)
-	-	-
<hr/> (305,035)	<hr/> -	<hr/> (305,035)
<hr/> (397,227)	<hr/> -	<hr/> (397,227)
 (9,752,344)	 -	 (9,752,344)

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
		Services		
Business-Type Activities:				
Support services:				
Food service operations	\$ 34,321	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	468,725	403,038	114,805	-
Other operations	2,624	4,166	-	-
	<u>471,349</u>	<u>407,204</u>	<u>114,805</u>	<u>-</u>
Total business-type activities	<u>505,670</u>	<u>407,204</u>	<u>114,805</u>	<u>-</u>
Total	<u>\$ 12,915,059</u>	<u>\$ 1,294,679</u>	<u>\$ 1,877,600</u>	<u>\$ 6,775</u>

General revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other/Lease proceeds

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (34,321)	\$ (34,321)
-	49,118	49,118
-	1,542	1,542
-	50,660	50,660
-	16,339	16,339
(9,752,344)	16,339	(9,736,005)

\$ 3,783,056	\$ -	\$ 3,783,056
396,139	-	396,139
475,948	-	475,948
349,590	-	349,590
1,126,752	-	1,126,752
5,212,762	-	5,212,762
118,577	1,030	119,607
40,666	-	40,666
11,503,490	1,030	11,504,520
1,751,146	17,369	1,768,515
12,800,042	65,771	12,865,813
<u>\$ 14,551,188</u>	<u>\$ 83,140</u>	<u>\$ 14,634,328</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,122,110	\$ 90,421	\$ 3,921,361	\$ 334,788	\$ 7,468,680
Receivables:					
Property tax:					
Current year	29,394	3,174	3,822	-	36,390
Succeeding year	3,653,563	1,208,227	498,207	100,001	5,459,998
Income surtax	338,644	-	-	-	338,644
Accounts	12,420	-	-	5,891	18,311
Due from other governments	309,726	-	149,563	-	459,289
Inventories	967	-	-	-	967
Prepaid expenses	75,471	-	-	7,723	83,194
Total assets	\$ 7,542,295	\$ 1,301,822	\$ 4,572,953	\$ 448,403	\$ 13,865,473

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 245,819	\$ -	\$ 49,550	\$ 16,832	\$ 312,201
Salaries and benefits payable	1,156,935	-	-	-	1,156,935
Deferred revenue:					
Succeeding year property tax	3,653,563	1,208,227	498,207	100,001	5,459,998
Other	577,626	-	-	-	577,626
Total liabilities	<u>5,633,943</u>	<u>1,208,227</u>	<u>547,757</u>	<u>116,833</u>	<u>7,506,760</u>
Fund balances:					
Nonspendable:					
Inventories	967	-	-	-	967
Prepaid expenses	75,471	-	-	7,723	83,194
Restricted for:					
Categorical funding (note 11)	440,981	-	-	-	440,981
Local grants	25,054	-	-	-	25,054
Debt service	-	93,595	-	-	93,595
Management levy purposes	-	-	-	198,001	198,001
Student activities	-	-	-	125,846	125,846
School infrastructure	-	-	3,970,263	-	3,970,263
Physical plant and equipment	-	-	54,933	-	54,933
Committed:					
Building start-up costs	800,000	-	-	-	800,000
Assigned:					
Local projects	35,542	-	-	-	35,542
Unassigned	530,337	-	-	-	530,337
Total fund balances	<u>1,908,352</u>	<u>93,595</u>	<u>4,025,196</u>	<u>331,570</u>	<u>6,358,713</u>
Total liabilities and fund balances	<u>\$ 7,542,295</u>	<u>\$ 1,301,822</u>	<u>\$ 4,572,953</u>	<u>\$ 448,403</u>	<u>\$ 13,865,473</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 6,358,713
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,833,530
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	338,644
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,049)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,970,650)</u>
Net assets of governmental activities	<u>\$ 14,551,188</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,136,092	\$ 395,994	\$ 1,602,526	\$ -	\$ 6,134,612
Tuition	384,328	-	-	-	384,328
Other	174,131	4,093	63,230	407,448	648,902
Intermediate sources	6,191	-	-	-	6,191
State sources	6,456,144	145	174	-	6,456,463
Federal sources	512,555	-	25,000	-	537,555
Total revenues	11,669,441	400,232	1,690,930	407,448	14,168,051
Expenditures:					
Current:					
Instruction:					
Regular instruction	5,049,599	-	5,428	78,569	5,133,596
Special instruction	881,029	-	1,200	1,940	884,169
Other instruction	1,177,016	-	-	361,902	1,538,918
	7,107,644	-	6,628	442,411	7,556,683
Support services:					
Student services	407,581	-	-	13,218	420,799
Instructional staff services	397,529	-	92,680	10,820	501,029
Administration services	1,167,854	-	2,783	10,690	1,181,327
Operation and maintenance of plant services	988,028	-	28,617	105,528	1,122,173
Transportation services	497,166	-	105,622	28,823	631,611
	3,458,158	-	229,702	169,079	3,856,939
Non-instructional programs	100	-	5,015	10,437	15,552
Other expenditures:					
Facilities acquisition	-	-	286,396	-	286,396
Long term debt:					
Principal	-	566,009	-	-	566,009
Interest and fiscal charges	-	71,458	-	-	71,458
AEA flowthrough	473,163	-	-	-	473,163
	473,163	637,467	286,396	-	1,397,026
Total expenditures	11,039,065	637,467	527,741	621,927	12,826,200
Excess (deficiency) of revenues over (under) expenditures	630,376	(237,235)	1,163,189	(214,479)	1,341,851

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Compensation for loss of					
capital assets	\$ 8,399	\$ -	\$ 14,659	\$ -	23,058
Capital lease proceeds	-	-	88,954	-	88,954
Interfund transfers in (note 3)	-	242,607	-	-	242,607
Interfund transfers out (note 3)	-	-	(242,607)	-	(242,607)
Total other financing sources (uses)	8,399	242,607	(138,994)	-	112,012
Net change in fund balances	638,775	5,372	1,024,195	(214,479)	1,453,863
Fund balances beginning of year, as restated (note 13)	1,269,577	88,223	3,001,001	546,049	4,904,850
Fund balances end of year	<u>\$ 1,908,352</u>	<u>\$ 93,595</u>	<u>\$ 4,025,196</u>	<u>\$ 331,570</u>	<u>\$ 6,358,713</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,453,863

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 412,430	
Depreciation expense	<u>(528,599)</u>	(116,169)

Income surtax revenue and other grant revenues not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (30,574)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (88,954)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 566,009

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (945)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	71,931	
Compensated absences	(33,180)	
Net OPEB liability	<u>(70,835)</u>	<u>(32,084)</u>

Change in net assets of governmental activities \$ 1,751,146

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2011

	<u>Nonmajor Enterprise Fund</u>
Assets	
Cash and cash equivalents	\$ 27,105
Accounts receivable	6,663
Inventories	15,092
Capital assets, net of accumulated depreciation (note 5)	<u>53,472</u>
Total assets	<u>102,332</u>
Liabilities	
Accounts payable	535
Salaries and benefits payable	4,276
Deferred revenue	13,148
Net OPEB liability	<u>1,233</u>
Total liabilities	<u>19,192</u>
Net Assets	
Invested in capital assets	53,472
Unrestricted	<u>29,668</u>
Total net assets	<u>\$ 83,140</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	Nonmajor Enterprise Funds
Operating revenues:	
Local sources:	
Charges for services	\$ 407,204
Operating expenses:	
Support services:	
Salaries	18,599
Benefits	2,752
Services	9,957
Supplies	3,013
	<u>34,321</u>
Non-instructional programs:	
Food service and other operations:	
Salaries	156,395
Benefits	38,829
Purchased services	591
Supplies	268,006
Depreciation	7,418
Other	110
	<u>471,349</u>
Total operating expenses	<u>505,670</u>
Operating loss	(98,466)
Non-operating revenues:	
Interest on investments	1,030
State sources	4,367
Federal sources	110,438
Total non-operating revenues	<u>115,835</u>
Change in net assets	17,369
Net assets beginning of year	<u>65,771</u>
Net assets end of year	<u>\$ 83,140</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 391,793
Cash received from miscellaneous operating activities	14,780
Cash payments to employees for services	(218,315)
Cash payments to suppliers for goods or services	(270,151)
Net cash used by operating activities	<u>(81,893)</u>
Cash flows from non-capital financing activities:	
Decrease in interfund payable	(23,434)
State grants received	4,367
Federal grants received	96,310
Net cash provided by non-capital financing activities	<u>77,243</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,114)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,030</u>
Net decrease in cash and cash equivalents	(9,734)
Cash and cash equivalents beginning of year	<u>36,839</u>
Cash and cash equivalents end of year	<u>\$ 27,105</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (98,466)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	14,128
Commodities used	7,418
(Increase) in accounts receivable	(2,039)
(Increase) in inventories	(2,612)
(Decrease) in accounts payable	(622)
(Decrease) in salaries and benefits payable	(1,740)
Increase in deferred revenue	1,408
Increase in net OPEB liability	<u>632</u>
Net cash used by operating activities	<u>\$ (81,893)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$14,128 of federal commodities.

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Employee Flex Benefit Trust	Private Purpose Trust Scholarship	Agency
Assets:			
Cash and pooled investments	\$ 7,551	\$ 4,303	\$ 463
Accounts receivable	5,426	-	-
Other accounts receivable	-	-	(189)
Total assets	<u>12,977</u>	<u>4,303</u>	<u>274</u>
Liabilities:			
Bank overdraft	-	-	216
Accounts payable	<u>360</u>	<u>-</u>	<u>58</u>
Total liabilities	<u>360</u>	<u>-</u>	<u>274</u>
Net assets:			
Reserved for scholarships	-	4,303	-
Reserved for employee flex benefits	<u>12,617</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 12,617</u>	<u>\$ 4,303</u>	<u>\$ -</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	Employee Flex Benefit Trust	Private Purpose Trust Scholarship
Additions:		
Local sources:		
Employee flex contributions	\$ 189,264	\$ -
Employer flex contributions	7,084	-
Gifts and contributions	-	864
Interest	220	68
Total additions	<u>196,568</u>	<u>932</u>
Deductions:		
Support services:		
Employee flex benefits paid	195,212	-
Scholarships awarded	-	487
Total deductions	<u>195,212</u>	<u>487</u>
Change in net assets	1,356	445
Net assets beginning of year	<u>11,261</u>	<u>3,858</u>
Net assets end of year	<u>\$ 12,617</u>	<u>\$ 4,303</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children participating in grades preschool through twelve. The geographic area served includes the Cities of Alleman, Elkhart and Polk City, Iowa, and agricultural territory in Polk, Story and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Polk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. North Polk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund, used to account for the food service operations of the District, and the Enterprise, Vending Fund, used to account for vending revenues and expenses.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards and also accounts for the District's Employee Flex Benefit Plan.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of governmental and proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned meal revenues and unearned grant proceeds.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Fund Equity (continued)

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional programs function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>4,708</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>242,607</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 411,634	\$ -	\$ -	\$ 411,634
Construction in progress	-	102,945	-	102,945
Total capital assets not being depreciated	<u>411,634</u>	<u>102,945</u>	<u>-</u>	<u>514,579</u>
Capital assets being depreciated:				
Buildings	13,315,498	106,782	-	13,422,280
Improvements other than buildings	145,059	65,109	-	210,168
Furniture and equipment	2,863,084	137,594	59,007	2,941,671
Total capital assets being depreciated	<u>16,323,641</u>	<u>309,485</u>	<u>59,007</u>	<u>16,574,119</u>
Less accumulated depreciation for:				
Buildings	4,687,846	293,165	-	4,981,011
Improvements other than buildings	29,425	11,870	-	41,295
Furniture and equipment	2,068,305	223,564	59,007	2,232,862
Total accumulated depreciation	<u>6,785,576</u>	<u>528,599</u>	<u>59,007</u>	<u>7,255,168</u>
Total capital assets being depreciated, net	<u>9,538,065</u>	<u>(219,114)</u>	<u>-</u>	<u>9,318,951</u>
Governmental activities capital assets, net	<u>\$ 9,949,699</u>	<u>\$ (116,169)</u>	<u>\$ -</u>	<u>\$ 9,833,530</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 140,714	\$ 6,114	\$ -	\$ 146,828
Less accumulated depreciation	<u>85,938</u>	<u>7,418</u>	<u>-</u>	<u>93,356</u>
Business-type activities capital assets, net	<u>\$ 54,776</u>	<u>\$ (1,304)</u>	<u>\$ -</u>	<u>\$ 53,472</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 42,936
Special	5,308
Other	3,812

Support services:

Instructional staff	10,416
Operation and maintenance of plant services	41,926
Transportation	<u>119,166</u>
	223,564

Unallocated depreciation	<u>305,035</u>
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Total governmental activities depreciation expense	\$ <u><u>528,599</u></u>
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Business-type activities:

Food service operations	\$ <u><u>7,418</u></u>
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NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year		Additions		Reductions		Balance End of Year		Due Within One Year
Governmental activities:									
Early retirement	\$ 321,749	\$	22,379	\$	94,310	\$	249,818	\$	75,109
General obligation bonds	1,115,000		-		360,000		755,000		370,000
Notes payable	805,000		-		120,000		685,000		125,000
Capital leases	85,411		88,954		86,009		88,356		58,766
Compensated absences	19,930		53,110		19,930		53,110		53,110
Net OPEB liability	68,531		70,835		-		139,366		-
Total	\$ 2,415,621	\$	235,278	\$	680,249	\$	1,970,650	\$	681,985
Business-type activities:									
Net OPEB liability	\$ 601	\$	632	\$	-	\$	1,233	\$	-

Early Retirement

The District offered a one-time voluntary early retirement incentive to its employees for the year ended June 30, 2011. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of a cash benefit of \$10,000 paid in June of 2011. The District will also provide health insurance coverage at the current single rate until the retiree is Medicare eligible.

At June 30, 2011, the District has obligations to 16 participants with a total liability of \$249,818. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$94,310. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April, 2003			
	Interest Rates	Principal	Interest	Total
2012	3.10 %	\$ 370,000	\$ 23,790	\$ 393,790
2013	3.20	385,000	12,320	397,320
		<u>\$ 755,000</u>	<u>\$ 36,110</u>	<u>\$ 791,110</u>

Capital Loan Notes

Details of the District's June 30, 2011 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.150 %	\$ 125,000	\$ 28,324	\$ 153,324
2013	4.150	130,000	23,136	153,136
2014	4.100	135,000	17,742	152,742
2015	4.125	145,000	12,206	157,206
2016	4.150	150,000	6,226	156,226
		<u>\$ 685,000</u>	<u>\$ 87,634</u>	<u>\$ 772,634</u>

During the year ended June 30, 2011 the District made principal and interest payments totaling \$153,184 under the note agreements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Capital Leases

During the year ended June 30, 2011, the District entered into a capital lease purchase agreement for computer equipment valued at \$88,954. The agreement calls for three annual payments totaling \$32,001, with an annual finance rate of 8.145 %.

The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2011:

	<u>Year Ending June 30,</u>	<u>Amount</u>
	2,012	\$ 64,001
	2,013	<u>32,001</u>
Minimum Lease Payments		96,002
Less Amount Representing Interest		<u>(7,646)</u>
Present Value of Minimum Lease Payments		<u>\$ 88,356</u>

The total value of equipment being financed through capital lease purchase agreements is \$183,176.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 114 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 163,549
Interest on net OPEB obligation	1,728
Adjustment to annual required contribution	<u>10,871</u>
Annual OPEB cost	154,406
Contributions made	<u>82,939</u>
Increase in net OPEB obligation	71,467
Net OPEB obligation beginning of year	<u>69,132</u>
Net OPEB obligation end of year	<u><u>\$ 140,599</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$82,939 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 154,406	53.7%	\$ 140,599

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,238,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,238,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,880,000, and the ratio of the UAAL to covered payroll was 18%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

The UAAL is being amortized as a level dollar cost over 30 years.

Note 7. Lease Commitment

The District entered into a five-year operating lease for copy machines during fiscal years 2007 and 2008.

Details of the District's lease payments over the next two years are as follows:

Year Ended June 30,	Lease Payment
2012	\$ 14,286
2013	1,675
	<u>\$ 15,961</u>

The District paid \$24,552 in rent payments during the year.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$477,226, \$393,041, and \$394,759, respectively, equal to the required contributions for each year.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Risk Management

North Polk Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$473,163 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropout and dropout prevention program	\$ 276,285
Professional development	48,472
Statewide voluntary preschool	45,148
Salary improvement program	32,080
At-risk students	18,751
Core curriculum	11,934
Market factor incentives	5,889
Home school assistance program	1,966
Early intervention	315
Gifted and talented program	138
Additional teacher contract day	<u>3</u>
Total	<u>\$ 440,981</u>

Note 12. Subsequent Events

The District approved the issuance of \$16.1 million of general obligation bonds in December, 2010 for the purpose of building and equipping a new high school building. On September 15, 2011, the District issued \$10 million of those bonds. The bonds have interest rates ranging from 2.000% to 3.625% and are payable through the year ended June 30, 2029.

On October 6, 2011, the District approved the purchase of 52 acres of land for the location of the new high school building for \$514,710 and approved a contract for subsequent grading of the land for \$139,969. However, the land was purchased through an eminent domain procedure and the sellers have begun a lawsuit seeking an additional \$235,290 in compensation. The exact amount of any further compensation, if any, cannot be determined at this time.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 12. Subsequent Events (continued)

On November 17, 2011, the District approved the issuance of \$10 million of sales tax revenue bonds. The District is expecting the issue to be made in March, 2012.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 3,012,139	\$ (11,138)
Change in fund type classification per implementation of GASB Statement No. 54	<u>(11,138)</u>	<u>11,138</u>
Balances July 1, 2010, as restated	<u><u>\$ 3,001,001</u></u>	<u><u>\$ -</u></u>

Required Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 7,167,842	\$ 408,234	\$ 7,576,076	\$ 7,324,986	\$ 251,090
Intermediate sources	6,191	-	6,191	6,000	191
State sources	6,456,463	4,367	6,460,830	6,769,890	(309,060)
Federal sources	537,555	110,438	647,993	285,200	362,793
Total revenues	14,168,051	523,039	14,691,090	14,386,076	305,014
EXPENDITURES/EXPENSES:					
Instruction	7,556,683	-	7,556,683	7,883,895	327,212
Support services	3,856,939	34,321	3,891,260	4,425,745	534,485
Non-instructional programs	15,552	471,349	486,901	451,000	(35,901)
Other expenditures	1,397,026	-	1,397,026	3,083,016	1,685,990
Total expenditures/expenses	12,826,200	505,670	13,331,870	15,843,656	2,511,786
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,341,851	17,369	1,359,220	(1,457,580)	2,816,800
Other financing sources, net	112,012	-	112,012	400	111,612
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,453,863	17,369	1,471,232	(1,457,180)	2,928,412
Balance beginning of year	4,904,850	65,771	4,970,621	4,296,536	674,085
Balance end of year	\$ <u>6,358,713</u>	\$ <u>83,140</u>	\$ <u>6,441,853</u>	\$ <u>2,839,356</u>	\$ <u>3,602,497</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the non-instructional programs function exceeded the amount budgeted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,285	\$ 1,285	0.0%	\$ 5,370	23.9%
2011	July 1, 2009	-	1,238	1,238	0.0%	6,880	18.0%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 199,001	\$ 135,787	\$ 334,788
Receivables:			
Property tax:			
Succeeding year	100,001	-	100,001
Accounts	-	5,891	5,891
Prepaid expense	7,723	-	7,723
Total assets	<u>\$ 306,725</u>	<u>\$ 141,678</u>	<u>\$ 448,403</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,000	\$ 15,832	\$ 16,832
Deferred revenue:			
Succeeding year property tax	100,001	-	100,001
Total liabilities	<u>101,001</u>	<u>15,832</u>	<u>116,833</u>
Fund balances:			
Nonspendable:			
Prepaid expense	7,723	-	7,723
Restricted for:			
Management levy purposes	198,001	-	198,001
Student activities	-	125,846	125,846
Total fund balances	<u>205,724</u>	<u>125,846</u>	<u>331,570</u>
Total liabilities and fund balances	<u>\$ 306,725</u>	<u>\$ 141,678</u>	<u>\$ 448,403</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Other	\$ 18,873	\$ 388,575	\$ 407,448
Expenditures:			
Current:			
Instruction:			
Regular instruction	78,569	-	78,569
Special instruction	1,940	-	1,940
Other instruction	2,032	359,870	361,902
Support services:			
Student services	9,916	3,302	13,218
Instructional staff services	8,768	2,052	10,820
Administration services	7,835	2,855	10,690
Operation and maintenance of plant services	93,342	12,186	105,528
Transportation services	28,823	-	28,823
Non instructional programs	10,437	-	10,437
Total expenditures	241,662	380,265	621,927
Net change in fund balances	\$ (222,789)	\$ 8,310	\$ (214,479)
Fund balances beginning of year	428,513	117,536	546,049
Fund balances end of year	\$ 205,724	\$ 125,846	\$ 331,570

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2011

	Enterprise Funds		
	School Nutrition	Vending	Total
Assets			
Cash and cash equivalents	\$ 24,927	\$ 2,178	\$ 27,105
Accounts receivable	6,663	-	6,663
Inventories	15,092	-	15,092
Capital assets, net of accumulated depreciation	53,472	-	53,472
Total assets	\$ 100,154	\$ 2,178	\$ 102,332
Liabilities			
Accounts payable	\$ 535	\$ -	\$ 535
Salaries and benefits payable	4,276	-	4,276
Deferred revenue	13,148	-	13,148
Net OPEB liability	1,233	-	1,233
Total liabilities	19,192	-	19,192
Net assets			
Invested in capital assets	53,472	-	53,472
Unrestricted	27,490	2,178	29,668
Total net assets	\$ 80,962	\$ 2,178	\$ 83,140

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2011

	Enterprise Funds		
	School		
	Nutrition	Vending	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 403,038	\$ 4,166	\$ 407,204
Operating expenses:			
Support services:			
Salaries	18,599	-	18,599
Benefits	2,752	-	2,752
Services	9,957	-	9,957
Supplies	3,013	-	3,013
	<u>34,321</u>	<u>-</u>	<u>34,321</u>
Non-instructional programs:			
Salaries	156,395	-	156,395
Benefits	38,829	-	38,829
Purchased services	591	-	591
Supplies	265,382	2,624	268,006
Depreciation	7,418	-	7,418
Other	110	-	110
	<u>468,725</u>	<u>2,624</u>	<u>471,349</u>
Total operating expenses	<u>503,046</u>	<u>2,624</u>	<u>505,670</u>
Operating income (loss)	(100,008)	1,542	(98,466)
Non-operating revenues (expenses):			
Interest on investments	990	40	1,030
State sources	4,367	-	4,367
Federal sources	110,438	-	110,438
Total non-operating revenues	<u>115,795</u>	<u>40</u>	<u>115,835</u>
Net income	15,787	1,582	17,369
Net assets beginning of year	<u>65,175</u>	<u>596</u>	<u>65,771</u>
Net assets end of year	<u>\$ 80,962</u>	<u>\$ 2,178</u>	<u>\$ 83,140</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2011

	Enterprise Funds		
	School		
	Nutrition	Vending	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 391,793	\$ -	\$ 391,793
Cash received from vending and other activities	10,614	4,166	14,780
Cash payments to employees for services	(218,315)	-	(218,315)
Cash payments to suppliers for goods or services	(267,527)	(2,624)	(270,151)
Net cash provided by (used by) operating activities	(83,435)	1,542	(81,893)
Cash flows from non-capital financing activities:			
Decrease in interfund payable	(23,434)	-	(23,434)
State grants received	4,367	-	4,367
Federal grants received	96,310	-	96,310
Net cash provided by non-capital financing activities	77,243	-	77,243
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,114)	-	(6,114)
Cash flows from investing activities:			
Interest on investments	990	40	1,030
Net increase (decrease) in cash and cash equivalents	(11,316)	1,582	(9,734)
Cash and cash equivalents beginning of year	36,243	596	36,839
Cash and cash equivalents end of year	\$ 24,927	\$ 2,178	\$ 27,105

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2011

	Enterprise Funds		
	School		
	Nutrition	Vending	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (100,008)	\$ 1,542	\$ (98,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	14,128	-	14,128
Depreciation	7,418	-	7,418
Decrease (increase) in accounts receivable	(2,039)	-	(2,039)
Decrease (increase) in inventories	(2,612)	-	(2,612)
(Decrease) increase in accounts payable	(622)	-	(622)
(Decrease) increase in salaries and benefits payable	(1,740)	-	(1,740)
(Decrease) increase in deferred revenue	1,408	-	1,408
(Decrease) increase in other postemployment benefits	632	-	632
Net cash provided by (used by) operating activities	\$ <u>(83,435)</u>	\$ <u>1,542</u>	\$ <u>(81,893)</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 3,868,022	\$ 53,339	\$ -	\$ 3,921,361
Receivables:				
Property tax:				
Current year	-	3,822	-	3,822
Succeeding year	-	498,207	-	498,207
Intrafund receivable*	26,488	-	-	26,488
Due from other governments	149,563	-	-	149,563
Total assets	\$ 4,044,073	\$ 555,368	\$ -	\$ 4,599,441
Liabilities and Fund Balances				
Liabilities:				
Intrafund payable*	\$ -	\$ -	\$ 26,488	\$ 26,488
Accounts payable	7,698	2,228	39,624	49,550
Deferred revenue:				
Succeeding year property tax	-	498,207	-	498,207
Total liabilities	7,698	500,435	66,112	574,245
Fund balances:				
Restricted for:				
School infrastructure	4,036,375	-	(66,112)	3,970,263
Physical plant and equipment	-	54,933	-	54,933
Total fund balances	4,036,375	54,933	(66,112)	4,025,196
Total liabilities and fund balances	\$ 4,044,073	\$ 555,368	\$ -	\$ 4,599,441

* Due to pooled cash balances; these amounts have been omitted from the basic financial statements.

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,126,752	\$ 475,774	\$ -	\$ 1,602,526
Other	62,488	742	-	63,230
State sources	-	174	-	174
Federal sources	-	25,000	-	25,000
Total revenues	<u>1,189,240</u>	<u>501,690</u>	<u>-</u>	<u>1,690,930</u>
Expenditures:				
Current:				
Instruction				
Regular instruction	2,525	2,903	-	5,428
Other instruction	-	1,200	-	1,200
Support services:				
Instructional staff services	3,726	88,954	-	92,680
Administration services	-	2,783	-	2,783
Operation and maintenance of plant services	5,929	22,688	-	28,617
Transportation services	-	105,622	-	105,622
Non-instructional programs	1,585	3,430	-	5,015
Other expenditures:				
Facilities acquisition	160,804	59,480	66,112	286,396
Total expenditures	<u>174,569</u>	<u>287,060</u>	<u>66,112</u>	<u>527,741</u>
Excess (deficiency) of revenues over (under) expenditures	1,014,671	214,630	(66,112)	1,163,189
Other financing sources (uses):				
Capital lease proceeds	-	88,954	-	88,954
Interfund transfers in				0
Interfund transfers out	-	(242,607)	-	(242,607)
Total other financing sources (uses)	<u>9,565</u>	<u>(148,559)</u>	<u>-</u>	<u>(138,994)</u>
Net change in fund balances	1,024,236	66,071	(66,112)	1,024,195
Fund balances beginning of year, as restated	<u>3,012,139</u>	<u>(11,138)</u>	<u>-</u>	<u>3,001,001</u>
Fund balances end of year	<u>\$ 4,036,375</u>	<u>\$ 54,933</u>	<u>\$ (66,112)</u>	<u>\$ 4,025,196</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics				
All Sports	\$ 7,552	\$ 31,638	\$ 29,758	\$ 9,432
Weight Lifting	(36)	168	34	98
Cross Country	(672)	2,824	3,093	(941)
Cheerleading	3,035	5,409	6,501	1,943
Senior Moms	66	-	-	66
Boys Tennis	1,118	840	1,079	879
Coed Golf	(3,123)	2,036	1,327	(2,414)
Boys Basketball	6,466	13,782	12,848	7,400
Football	7,907	42,459	42,545	7,821
Soccer	(1,375)	3,488	2,907	(794)
Baseball	(230)	17,249	22,970	(5,951)
Boys Track	883	3,659	1,810	2,732
Wrestling	13,144	7,394	13,637	6,901
Girls Basketball	3,202	10,285	10,326	3,161
Volleyball	6,531	9,836	12,675	3,692
Girls Soccer	(3,482)	3,600	6,918	(6,800)
Girls Tennis	4,483	2,534	3,191	3,826
Softball	5,378	19,478	19,477	5,379
GirlsTrack	(941)	4,945	5,899	(1,895)
	49,906	181,624	196,995	34,535
Activities				
Interest on Investments	16,522	3,593	329	19,786
Elementary Academic Excellence	1,117	-	-	1,117
Camp Hantesa	(304)	4,204	3,854	46
HS Yearbook	3,126	8,329	7,274	4,181
Elementary Yearbook	1,851	4,210	4,716	1,345
National Honor Society	614	3,200	112	3,702
Student Council	972	1,923	326	2,569
Student Council - Character Counts	25	107	-	132
MS Student Council	2,097	34	60	2,071
Key Club	2,070	1,268	1,366	1,972
Drama	3,056	235	-	3,291
HS Musical	(360)	-	-	(360)
Speech	(267)	234	417	(450)
Musical	582	-	-	582
Show Choir	1,504	51,798	52,621	681
Dance	1,466	7,492	4,716	4,242

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activities (continued)				
Flags	\$ 739	\$ 1,313	\$ 4,552	\$ (2,500)
FFA	2,640	36,815	36,914	2,541
Horticulture	(354)	359	172	(167)
Tag/Mock Trial	13	-	-	13
National Art Honor Society	439	140	59	520
HOIAC Fine Arts Fest	(98)	-	330	(428)
Spanish Club	526	45	137	434
Class of 2008	12	-	-	12
Class of 2009	1,478	-	-	1,478
Class of 2010	(5,091)	-	-	(5,091)
Class of 2011	10,795	33,863	39,073	5,585
Class of 2012	11,052	2,683	1,313	12,422
Class of 2013	7,440	1,876	336	8,980
Class of 2014	2,829	3,218	735	5,312
Class of 2015	(61)	1,740	103	1,576
Class of 2016	-	1,913	-	1,913
Junior-Senior High Academic Excellence	660	-	332	328
West Running Club	-	2,305	2,013	292
Concessions	323	18,235	12,422	6,136
MS Comet Pride	217	-	-	217
Baseball Concessions	-	15,819	8,988	6,831
	<u>67,630</u>	<u>206,951</u>	<u>183,270</u>	<u>91,311</u>
 Total	 \$ <u>117,536</u>	 \$ <u>388,575</u>	 \$ <u>380,265</u>	 \$ <u>125,846</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2011

	Admin. Pop	Jr./Sr. Teacher Pop	Central Teacher Pop	West Teacher Pop	HS Target Fund- raising	Central Target Fund- raising
Balance beginning of year	\$ 553	\$ (534)	\$ (1,403)	\$ 322	\$ 698	\$ (408)
Additions:						
Collections	264	519	1,915	198	1,907	411
Deductions:						
Miscellaneous	793	204	660	508	2,605	3
Balance end of year	\$ <u>24</u>	\$ <u>(219)</u>	\$ <u>(148)</u>	\$ <u>12</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying independent auditor's report.

<u>West Target Fund- raising</u>	<u>Activity Host Account</u>	<u>Wellness</u>	<u>Total</u>
\$ 33	\$ 285	\$ -	\$ (454)
57	37,093	653	43,017
90	36,915	511	42,289
<u>\$ -</u>	<u>\$ 463</u>	<u>\$ 142</u>	<u>\$ 274</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 6,134,612	\$ 5,480,433	\$ 5,471,896	\$ 5,063,894
Tuition	384,328	406,505	385,067	377,427
Other	648,902	549,255	590,844	682,738
Intermediate sources	6,191	6,061	7,077	-
State sources	6,456,463	5,141,864	5,594,749	5,613,106
Federal sources	537,555	1,068,579	201,505	122,121
Total revenues	<u>\$ 14,168,051</u>	<u>\$ 12,652,697</u>	<u>\$ 12,251,138</u>	<u>\$ 11,859,286</u>
Expenditures:				
Instruction				
Regular instruction	\$ 5,133,596	\$ 4,926,965	\$ 4,759,848	\$ 4,064,653
Special instruction	884,169	1,036,813	851,649	1,114,651
Other instruction	1,538,918	1,270,689	1,133,653	1,033,253
Support services:				
Student services	420,799	406,682	580,964	366,617
Instructional staff services	501,029	512,060	427,478	281,882
Administration services	1,181,327	972,391	1,007,788	909,889
Operation and maintenance of plant services	1,122,173	1,106,351	1,258,570	1,093,517
Transportation services	631,611	660,852	535,704	586,689
Non-instructional programs	15,552	33,084	6,934	-
Other expenditures:				
Facilities acquisition	286,396	259,186	442,816	965,308
Long-term debt:				
Principal	566,009	1,140,263	1,087,375	1,044,152
Interest and fiscal charges	71,458	116,019	151,701	180,526
AEA flowthrough	473,163	441,730	377,956	363,229
Total expenditures	<u>\$ 12,826,200</u>	<u>\$ 12,883,085</u>	<u>\$ 12,622,436</u>	<u>\$ 12,004,366</u>

See accompanying independent auditor's report.

	2007	2006	2005	2004
\$	4,579,249	\$ 4,439,507	\$ 3,887,528	\$ 3,662,930
	373,556	453,526	461,602	454,535
	644,800	528,220	388,150	337,436
	11,188	-	-	-
	4,807,369	4,384,723	3,889,212	3,767,570
	116,978	120,573	115,493	134,184
\$	<u>10,533,140</u>	<u>\$ 9,926,549</u>	<u>\$ 8,741,985</u>	<u>\$ 8,356,655</u>
\$	4,094,113	\$ 3,863,762	\$ 3,553,496	\$ 3,270,362
	874,811	586,063	575,500	635,666
	911,227	855,463	571,095	543,787
	318,675	334,752	321,212	314,519
	222,144	192,359	194,186	166,126
	867,148	876,731	816,337	753,917
	1,003,448	839,188	648,104	643,084
	441,554	398,838	401,656	336,161
	-	-	-	-
	65,258	17,497	80,599	51,113
	895,700	860,451	800,144	555,000
	169,461	198,610	225,299	257,537
	317,861	283,630	254,187	253,854
\$	<u>10,181,400</u>	<u>\$ 9,307,344</u>	<u>\$ 8,441,815</u>	<u>\$ 7,781,126</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 11	\$ <u>116,693</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	12,914
National School Lunch Program (non-cash)	10.555	FY 11	14,128
National School Lunch Program	10.555	FY 11	<u>83,395</u>
			<u>110,437</u>
Team Nutrition Grants	10.574	FY 11	<u>264</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	FY 11	<u>500</u>
National Science Foundation:			
Iowa State University:			
Mathematical and Physical Sciences	47.049	FY 11	<u>322</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 11	38,672
ARRA - Title I Grants to Local Educational Agencies,	84.010		
Recovery Act	84.389	FY 10	<u>11,473</u>
			<u>50,145</u>
Fund for the Improvement of Education	84.215	FY 11	<u>6,775</u>
Advanced Placement Program	84.330	FY 11	<u>57</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Improving Teacher Quality State Grants	84.367	FY 11	<u>24,776</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>2,654</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	61,544
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	4,042
ARRA - State Fiscal Stabilization Fund, Government Services, Recovery Act	84.397	FY 11	<u>54,895</u>
			<u>120,481</u>
Education Jobs Fund	84.410	FY 11	<u>13,564</u>
Heartland Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	\$ 60,035
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 11	<u>218</u>
			<u>60,253</u>
Special Education - State Personnel Development	84.323	FY 10	<u>434</u>
Special Education - Technical Assistance	84.326	FY 11	<u>272</u>
Madrid Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>5,287</u>
Des Moines Area Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>109</u>
Total			<u>\$ 513,023</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Polk Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
North Polk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Polk Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over reporting during the course of our audit.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about North Polk Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Polk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit North Polk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Polk Community School District and other parties to whom North Polk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Polk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 25, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
North Polk Community School District:

Compliance

We have audited North Polk Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. North Polk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Polk Community School District's management. Our responsibility is to express an opinion on North Polk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Polk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Polk Community School District's compliance with those requirements.

In our opinion, North Polk Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of North Polk Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Polk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

North Polk Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit North Polk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Polk Community School District and other parties to whom North Polk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 25, 2012

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Polk Community School District did not qualify as a low-risk auditee.

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, performing all payroll functions, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- II-B-11 Check Signing – We noted that the District uses a signature stamp to print the signature of the Board President on checks. The signature stamp is kept in the administration offices. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation – We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

Response – We will review procedures that will allow timely and efficient processing of daily transactions, yet provide adequate controls over District assets.

Conclusion – Response accepted.

- II-C-11 Disbursement Support – We noted that two of forty disbursements tested were not fully supported by a receipt or invoice prior to the check being released for payment. These disbursements were for credit card charges that did not have detailed receipts for supplies and services.

Recommendation – All disbursements should be fully supported by an invoice, receipt or other written documentation at the time of payment. The District should follow their credit card policy that requires detailed receipts for all credit card purchases.

Response – We will make sure that all disbursements are properly supported in the future. We will require detailed receipts be turned in for all credit card purchases.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Other Findings Related to Statutory Reporting:

- III-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the non-instructional programs function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- III-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- III-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- III-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

- III-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- III-F-11 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted. The Code of Iowa requires that board minutes be submitted for publication within two weeks following the date of the board meeting. We noted that most board minutes were published late.

Recommendation – The District should review its procedures for submitting board meeting minutes for timely publication.

Response – We will be more diligent in the future.

Conclusion – Response accepted.

- III-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- III-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- III-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- III-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Other Findings Related to Statutory Reporting (continued):

- III-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- III-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	3,012,139
Revenues/other financing sources:			
Sales tax revenues	\$	1,126,752	
Other local revenues		62,488	
Compensation for loss of capital assets		<u>9,565</u>	<u>1,198,805</u>
Expenditures/transfers out:			
School infrastructure construction		160,804	
Equipment		<u>13,765</u>	<u>174,569</u>
Ending balance		\$	<u><u>4,036,375</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- III-M-11 Deficit Balances – The Other Capital Projects account within the Capital Projects Fund has a \$66,112 deficit unrestricted fund balance at June 30, 2011. Also, the Student Activity Fund has several accounts with deficit balances at June 30, 2011.

Recommendation – The District should monitor these funds and investigate alternatives to eliminate these deficits.

Response – We are working on ways to eliminate the Student Activity Fund account deficits. We issued general obligation bonds subsequent to year end but had costs prior to year end that were paid from the Other Capital Projects account. This situation has now been corrected.

Conclusion – Response accepted.